Exhibit B

POLITICS

Washington's $500 Million Financial-Storm Forecaster Is Foundering

Office of Financial Research was supposed to anticipate trouble and issue warnings, but initiatives have been delayed or scaled back

Richard Berner, shown with former Federal Reserve Chairwoman Janet Yellen, led the Office of Financial Research from its early days until the end of last year. PHOTO: JONATHAN ERNST/REUTERS

By Ryan Tracy

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Congress created a brand new agency after the 2008 financial crisis with a gargantuan mission: Serve as the finance world's version of the National Weather Service.

The new Office of Financial Research wasn't expected to prevent economic storms, but it was supposed to anticipate them and issue warnings to help authorities contain the damage.

Almost a decade and nearly $500 million later, the agency has struggled to establish a place for itself in Washington. Major projects have been delayed or scaled back. Morale has suffered amid turf battles with other regulators and opposition from Republicans. And one of its most ambitious initiatives—developing a database for recording financial contracts—has progressed no further than a 16-page paper calling for "information gathering sessions" among constituents.

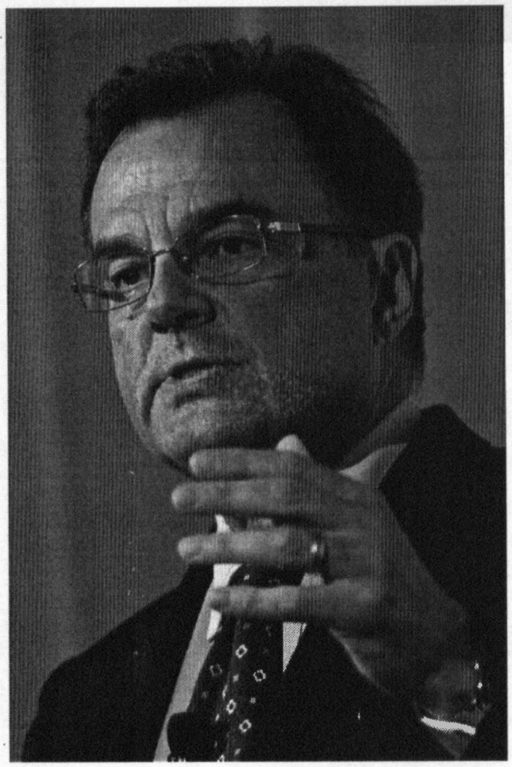
As the administration of President Donald Trump works to change financial policies it views as governmental overreach, the OFR's record of underachievement has made it an easy target. In November, Treasury Department officials told OFR employees that the agency's budget would be cut by one-quarter and its staff by more than one-third.

"If you're not happy here, you should leave," Craig Phillips, a counselor to Treasury Secretary Steven Mnuchin, told the staff.

The OFR's early backers thought it would become an authoritative source when financial markets experienced volatility, as they have of late. The agency does publish a monitor of financial vulnerabilities, but it isn't widely cited and is mostly based on already available information, not the private data Congress empowered the agency to collect.

The agency's creation "was a major opportunity to both reduce the burden of regulation and significantly improve regulatory oversight of financial risk, and it was squandered," says economist Allan Mendelowitz, a former federal housing-finance regulator who helped write the legislation creating the agency.

Richard Berner, who led the agency from its early days until the end of last year, told a



Craig Phillips, a counselor to Treasury Secretary Steven Mnuchin, told Office of Financial Research staffers that if they weren't happy they should leave. PHOTO: ANDREW HARRER/BLOOMBERG NEWS

congressional committee in December he was proud of its accomplishments "despite headwinds from working for a startup amid persistent uncertainties about existential threats to the OFR."

Mr. Berner declined to comment for this article, which is based on internal agency documents and interviews with current and former government officials.

The Trump administration appointed Ken Phelan, the Treasury's chief risk officer, as acting OFR chief while it searches for a permanent director. "Treasury is taking action to improve the management of OFR, right-size its resources and sharpen its focus," a Treasury spokesman said. "We are building a leaner, more effective organization." Mr. Phelan declined to comment.

Democratic senators who support the agency have spoken out against budget cuts, saying in a letter last year that the OFR provides "independent and apolitical analysis of the risks that could threaten our economy" and "should be fully funded and given every opportunity to do its work."

"It's a question of, will regulatory authorities have the willingness and ability to look across the financial landscape to see the risks developing?" said Jacob Lew, who served as U.S. Treasury Secretary from 2013 through 2017.

The idea for the agency took shape in a committee formed in 2009 by a group of academics, finance-industry executives and other self-described financial-data geeks, including Mr. Mendelowitz. During the economic turmoil, they concluded, regulators and industry didn't have a clear enough sense of what was going on throughout the financial system.

They argued the government needed a new agency to, among other things, vacuum up and standardize Wall Street trading and lending data and store it in a central data repository. That would make it easier, they felt, to identify systemic risks like the buildup of debt that bankrupted Lehman Brothers Holdings in 2008 and boomeranged through the economy.

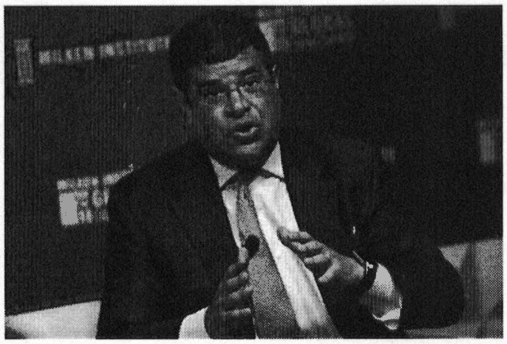
They won over a key lawmaker, Sen. Jack Reed (D., R.I.), who had the influence to insert their idea into the 2010 Dodd-Frank Act, which sought to overhaul U.S. financial regulation.

The goal, from the outset, was ambitious, and the agency's defenders say it has made progress in a new arena for government. "It was a total cold start," says Lewis Alexander, U.S. chief economist at Nomura Holdings Inc., referring to early deliberations within the Treasury, where he was a counselor helping to launch the agency.

Mr. Berner, then co-head of global economics at Morgan Stanley , was selected by President Barack Obama and approved by the Senate for a six-year term. He had wide discretion to determine OFR's agenda.

He started in April 2011 with a skeleton staff crammed into the second floor of an ancillary Treasury office building. Although OFR was established as a quasi-independent agency, funded by fees from big finance firms, it also is an arm of the Treasury and must consult with the Treasury on budgeting.

Treasury officials, including Deputy Secretary Neal Wolin, were skeptical that creating a financial early-warning system was possible. Mr. Wolin counseled Mr. Berner against setting unrealistic goals, according to people familiar with their discussion. Be practical, he told the new director.



Treasury officials, including then-Deputy Secretary Neal Wolin, were skeptical that creating a financial early-warning system was possible. PHOTO: PATRICK T. FALLON/BLOOMBERG NEWS

Almost immediately, the agency came under attack from Republicans such as House Financial Services Committee Chairman Jeb Hensarling (R., Texas), who labeled it "big data for Big Brother." In 2012, the committee released a video titled "The Office of Financial Research Is Watching You." It suggested OFR would have unfettered access to Americans' personal financial information.

The committee voted to abolish the agency. That measure died. A similar proposal was contained in a bill passed by House Republicans last year, although it stalled in the Senate.

Mr. Berner set a goal of about 300 employees. Rather than a data hub and financial-storm forecaster, he envisioned the OFR primarily as a sort of independent financial think tank, according to officials who worked with him in the agency's early months. He recruited researchers and gave them significant leeway.

Its first big assignment came in the spring of 2012, when senior regulators asked for an analysis of risks posed by the asset-management industry. OFR began developing a report, with no clear deadline. In the summer of 2013, Mary Miller, the Treasury Department's undersecretary for domestic finance, called Mr. Berner to her office for a status update, and grew incredulous that the project didn't sound close to completion, according to a person familiar with the meeting.

"Dick," she asked, "how are we going to land this plane?"

The OFR team shared drafts of the report with Ms. Miller and her Treasury colleagues and with officials from the Securities and Exchange Commission, which regulates asset managers. Officials at both agencies were alarmed to see lengthy descriptions of potential risks without empirical analysis, according to former officials at those agencies. They suggested edits, and the document was trimmed by about two-thirds.

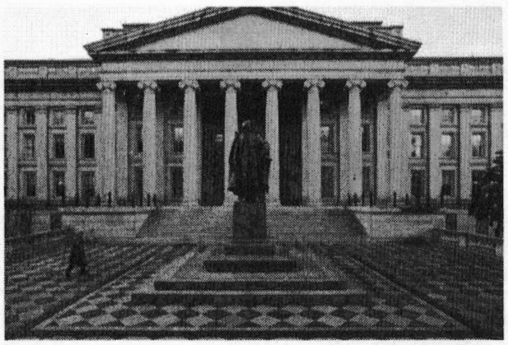
SEC officials bridled at the OFR's failure to formally solicit public feedback. The SEC opened a forum on its own website. Treasury and OFR officials were furious, believing the SEC was

providing a platform for criticism of an agency whose work had encroached on its turf, the former officials say. The SEC didn't back down.

The Sept. 30, 2013, report concluded that asset managers could threaten financial stability. Industry lobbyists blitzed Capitol Hill and blasted OFR in letters posted on the SEC website. They saw the report as a precursor to stricter federal regulation.

Fidelity's lobbyists complained the agency hadn't checked basic facts. A lobbyist for Fidelity Investments told congressional staffers that the report misstated the firm's assets under management by $200 billion, pointing the staffers to a public financial disclosure that backed up their claim, according to people familiar with the matter.

Mr. Berner said at a later Senate hearing that the agency had engaged in "a vigorous give and take" with the industry and others about the report. He was personally involved in drafting it and was surprised by the strength of the backlash, people familiar with the matter say. These people say the experience reinforced for him the need for the agency to tread softly to survive.



The Office of Financial Research is an arm of the Treasury Department and depends on it for budgeting. PHOTO: ALEXEY AGARISHEV/SPUTNIK/ASSOCIATED PRESS

OFR developed a series of tools for monitoring financial risks, including a tracker of the multitrillion dollar money-market-fund industry and a new barcode-like device the helps regulators keep track of financial firms and what they own. Separate OFR research papers have drawn attention to holes or unintended consequences in banking regulations.

The agency built a system to store and analyze huge amounts of financial data. The problem has been getting the actual numbers. Other agencies were slow in fulfilling data requests, according to OFR and Treasury officials. The data OFR has purchased, or collected on a voluntary basis, is incomplete and misses trillions of dollars in financial transactions, employees say. The agency hasn't ever used its data-collection subpoena authority.

The possibility of using that subpoena power came up after Oct. 15, 2014, when Treasury bond prices suddenly surged and then crashed for no apparent reason.

Anxious analysts in the Treasury Department dialed up traders, asking what happened. They couldn't fact-check what they heard because the government lacked data on Treasurys trading.

To some, the lack of data looked like a problem tailor-made for the OFR to solve. Mr. Berner was invited to a meeting at the Treasury Department with representatives of the major financial regulators, including the Commodity Futures Trading Commission, the SEC and the Fed.

When discussion turned to obstacles to gathering trading data on Treasury bills, Mr. Berner was asked about the OFR using its subpoena authority to gather the information, according to attendees.

He replied he wasn't sure the agency had that authority, and even if it did, it wouldn't use it in this case, recall two attendees.

Mr. Berner worried that forcing the handover of information could make enemies of other agencies it needed for other projects, according to people who worked with him. OFR's lawyers also believed the subpoena authority would hold up only in limited circumstances.

Mr. Berner faced "very difficult politics around data collection and analysis," says Amias Gerety, a former senior Treasury official who worked with him. "Dick definitely believed you could catch more flies with honey than with vinegar."

Nevertheless, Mr. Berner's statement stunned some who heard it. Not only had he questioned his own authority to use subpoenas, he had removed the threat of using it.

When Treasury and other agencies published a report on the volatile Oct. 15 trading, the OFR wasn't part of it.

That and other incidents fueled employee criticism that Mr. Berner was reluctant to embrace his powers, preferring to avoid controversy, according to current and former employees. Surveys of employees suggest that morale inside the agency has flagged.

Last March, the OFR published its 16-page paper on the development of the database for recording financial contracts, following years of false starts and infighting, according to employees. Mr. Berner weighed in on final drafts.

"We should be prepared that people will be underwhelmed," another OFR official predicted, according to one employee's notes about the project, known officially as the financial instrument reference database.

The prediction was accurate. Mr. Berner canceled an April public discussion about the initiative with OFR's advisory panel, then placed the project on hold, pending review by the Trump administration.

He announced his resignation in November, more than a year before his term expired, saying he wanted to spend more time with his family. He is now an adjunct professor and executive in residence at New York University's business school.

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